

NON-TELEPHONE HOUSEHOLDS
PHASE I: QUALITATIVE RESEARCH

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NON-TELEPHONE HOUSEHOLDS PHASE I: QUALITATIVE RESEARCH

BACKGROUND AND OBJECTIVES

Ameritech Ohio has a commitment with the Public Utilities Commission of Ohio to better understand households in their territory which do not have telephone service. As a first step in a two-phase research approach designed to increase the likelihood of signing up for local telephone service, qualitative research was conducted. The objectives of the qualitative research were:

- Identify types of non-telephone households in urban and rural Ohio markets
- Explore reasons/barriers contributing to non-telephone households
- Learn the methods of communications used, awareness of programs to assist in retaining/obtaining telephone service
- Explore understanding of and reactions to USA Plans 1 and 2 and how best to make them known to interested parties (copies are appended)

Findings from this research will be used to assist in the design and development of the questionnaire to be utilized in the phase two quantitative research investigation.

METHODOLOGY

Four focus group interviews were conducted in downtown Cleveland, Ohio, on April 3 and April 4, 2000, with low-income men and women. While specific quotas were not stipulated in recruiting respondents, the majority of participants in the Urban groups were African-American. All respondents in the rural interviewing were Caucasian. A total of 30 individuals participated in the interviewing.

The groups were broken out as follows:

- 2 groups, male and female heads of non-telephone households, ages 21-34
- 1 group, male and female heads of household, ages 35-64
- 1 mini-group of seniors, 65 and over

In addition to the focus groups, seven personal interviews, lasting approximately a half hour each, were conducted in rural Ohio on April 5 and April 6, 2000. The interviewing sites were Zanesville and St. Clairsville, Ohio. Five male and two female heads of non-telephone households participated in the interviewing.

- 4 interviews in Zanesville, OH
- 3 interviews in St. Clairsville, OH

Criteria used for screening respondents were:

- Primary or shared decision-maker of household telecommunications services
- Had been without telephone service for at least six months and not planning to have telephone service "within the next 30 days"
- Must have resided in their respective areas for one or more years.

LIMITATIONS

The focus group interview brings together eight to ten respondents per session. Under the direction of a trained moderator, respondents are encouraged to discuss freely and at length attitudes, feelings and behaviors regarding a given topic or stimuli. The relatively unstructured nature of the interview provides for free interchange—between moderator and respondents, as well as among respondents—thus maximizing the opportunity for information gathering.

The focus group interview and the in-depth personal interview, both forms of qualitative research, seek to answer the question "why" as opposed to "how many." These research techniques provide a richness of response not to be found in quantitative methods of research. However, given the small samples used in qualitative studies, findings are best interpreted as directional. They are not projectable.

HIGHLIGHTS AND IMPLICATIONS

- The majority of respondents have had telephone service within the last five years. Most had either been disconnected by the telephone company and/or could not presently consider telephone service for reasons related to affordability.
- There appear to be two major distinctions which can be made in "defining" affordability—need versus want:

(Need) "A phone is a necessity, but it's not a priority. Rent, food, heating must come first. There's no money left for a phone."

(Want) "I've learned to do without a phone. It's more of a convenience than a necessity. I'd like a phone, but I can survive without it and use my money for other things."

- Those who "need" and consider a telephone a necessity were generally single parents (females, primarily) with children in the household, Seniors living alone on fixed low incomes and those with disabilities or medical conditions.
- Those who "want" and describe a telephone as a convenience were generally Urban dwellers, single males in particular, who have a community of relatives and/or friends nearby. They do not feel "isolated" or "at risk" without a telephone in the household.
- Some say they can afford but choose not to have a telephone for various reasons—e.g., use the telephone infrequently (poor price/value relationship), consider the telephone a nuisance or too intrusive, use "work phone" for making and receiving calls. It may be that some were too embarrassed to admit not being able to afford a telephone in a group setting.

- Communication alternatives to a telephone in the household were: pay telephones, the telephone of a friend, relative, or neighbor, or a "work phone."
- Majority of respondents (especially Urban dwellers) said they prefer having cable television over a telephone. Cable is perceived as providing "more for the money." Cable television offers relaxation and escape from life's struggles. It acts as a babysitter and is a companion to Seniors. Further, because respondents tend not to distinguish between monthly *local* charges and *total* monthly charges which also include long distance calls, they perceive monthly telephone charges as fluctuating. By comparison, the cost of cable is predictable.
- The costs associated with obtaining telephone service were prohibitive, especially among those with past due bills. There is a pervasive belief that a person with outstanding debts for telephone service must come up with all or a large amount of money at one time before service can be obtained—e.g., amount of outstanding long distance and local bills, installation and deposit fees.
- Often, perceived costs of obtaining and maintaining telephone service are much higher than real costs. Most felt they could afford no more than approximately \$20 per month for local telephone service. There was a pervasive belief that rates have escalated and that the telephone company "nickels and dimes us to death."
- Most felt obtaining telephone service could easily be done with a call to the phone company. The majority expressed negative feelings toward the local telephone company. Some believe Ameritech "tries to work with the customer" in retaining or obtaining telephone service. Most felt customer service was lacking and/or inconsistent—poorly informed and/or unfriendly customer service representatives and long waits "on hold."

- Very few were aware of “special” plans to assist people in obtaining telephone service. Two or three had heard of (or had been on) USA Plans.
- The majority of respondents were highly enthusiastic about the USA Plans, especially the lower-priced USA Plan #1. It was considered very affordable—the waiver of installation fees and low monthly charges. Of the 37 participants, approximately 10 were qualified for the plan. The majority of “unqualified” others said that were the plan available to them, they would actively consider having telephone service.
- Some of the respondents urged that the USA Plans be made available in conjunction with a low-income qualification.
- Respondents felt Ameritech could make USA Plans known via the following: television, radio, local newspapers, free community newspaper or publications, flyers, billboards, inserts with financial aid program communications, on telephone bills (assuming friends and relatives with telephone service will tell those without) and through other local utilities.

IMPLICATIONS: ISSUES TO ADDRESS IN QUANTITATIVE RESEARCH

- Profile who the Non-Telephone people are
- Breakout “affordability” issues into need versus want
- Understanding priorities in selecting of telephone service
- Stress *local* apart from long distance telephone service and charges
- Re-word USA Plans to ensure accurate interpretation
- Explore an income-related qualifier for the USA Plans and the willingness to provide proof of income

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DETAILED RESEARCH FINDINGS

REASONS FOR NON-TELEPHONE SERVICE

The majority of respondents have had telephone service within the last five years. Approximately five respondents, two of whom resided in the rural areas of Ohio, reported not having had telephone service for 10 to 20 years or, in the case of one man, "never" as an adult away from his family home.

Most said their service had been disconnected and/or could not presently consider having telephone service for reasons of affordability.

In attempting to better "define" and understand affordability issues, it appears there are at least two major distinctions that can be made. They are reported here as *Profiles A (Need) and B (Want)*.

***Profile A: Cannot afford and feels a need for telephone service—"A phone is a necessity, but it's not a priority."
"Rent, food, heating comes first and there's not enough in my budget for a phone." (Need)***

Profile A respondents were, most often, single parents (females, primarily) with children in the household, Seniors living on fixed low incomes, and those with medical conditions—either their own or others in the family. They consider a telephone a necessity, but must use their limited resources to pay for even more basic needs—i.e., food, rent, heat and electricity.

Single parents voiced a strong need for a telephone as a means of contacting schools, health care providers and other family members in regard to their children's well-being, schedule of activities or general whereabouts. Some were actively "working" to pay off outstanding

telephone bills in order to re-connect their telephone service; others were hopeful of a pay raise or seeking employment that would allow them basic monthly telephone service.

The three Seniors interviewed in Cleveland all lived alone. All had family members in or around the Cleveland area. As much as these Seniors would have found emotional "comfort" in having a telephone for medical appointments, to reach relatives and public service agencies, all felt the cost of a telephone was beyond their means. All reported having cable television.

For Seniors who have lost friends and relatives and who spend most of their time at home alone, watching television is their primary source of entertainment. It is a "companion" and a way of staying connected with the world near and far.

Most of *Profile A* respondents were not interested "in special telephone features" (especially respondents in the rural areas). They consider a telephone a necessity. They simply want the ability to be able to reach and be reached by telephone. Because the absence of a telephone is a "worry" to them, many are typically willing to do without something else in the hope of one day having a telephone. For example, some respondents in rural areas expressed a greater need for a telephone than for cable television. They appear to feel more "socially isolated" in a Rural environment than most respondents in the Urban areas. The telephone is needed to stay in contact with friends and family.

Profile B: Chooses not to afford telephone service—"I've learned to do without it." "It's more of a convenience than a necessity." "I'd like a phone, but I can survive without it and use my money for other things." (Want)

Profile B respondents were more likely to be Urban dwellers who have a community of relatives and/or friends nearby and do not feel

“isolated” or “at risk” by lack of telephone service. Males, single males in particular, tended to be in the majority.

Profile B respondents were very likely to have ready access to a pay telephone, a relative's or neighbor's telephone, and/or a telephone at their place of employment.

While many of these respondents would have preferred the convenience of telephone service, they had learned to do without it. The lack of a telephone did not appear to impact their social or work life dramatically. For example, a few respondents worked a night shift. Night shift workers said either that they found a telephone a nuisance because it would wake them during the day and/or they felt they were not getting their money's worth as they used the telephone so infrequently.

Some respondents commented that they would prefer (or needed) to use the money normally spent on telephone service on other things. A number of respondents across all Urban groups said a “benefit” of not having telephone service was that they did not have to deal with creditors “calling me to ask for money.”

In an attempt to gauge the relative importance of telephone service among those without it, respondents were asked to compare the role of cable television (and its affordability) with telephone service. Many of the Urban respondents said, given the option, they would much prefer having cable television. Most had some form of cable. In fact, two or three of the Urban dwellers had a “Platinum” cable package for approximately \$60 per month.

Cable television is prized as a 24-hour entertainment source. For some, it provides relaxation after the workday. For some, it acts as a babysitter for the children or a companion for an elderly parent in the household or Seniors living alone. For others, it provides an escape from life's day-to-day struggles.

In terms of cable's affordability, it was observed that unlike telephone bills which can fluctuate monthly (frequently due to long distance calling which "gets out of hand"), the monthly cable costs are predictable. Respondents say they can budget for costs of cable television.

Respondents feel they have greater "control" over cable costs than monthly telephone costs. For example, in multi-member households, a parent or spouse cannot constantly monitor the telephone usage of others. Also, it should be kept in mind that even though the focus of the study was *local* telephone service, respondents generally factored long distance charges into their "monthly" telephone costs. Respondents tended to confuse monthly local charges with total monthly charges which also include long distance charges.

It is possible that some respondents, especially African-American males who recognized others from their neighborhood in the group, were too proud or too embarrassed to admit being unable to "afford" telephone service. They may have been more comfortable simply dismissing the telephone as a nuisance or a "luxury."

AWARENESS OF RE-CONNECTION/CONNECTION COSTS AND PROCEDURES

Many respondents, especially those in the Urban groups, had been disconnected because of past due charges. Long distance costs, if not the entire problem, often exacerbated difficulties leading to the loss of telephone service. Some believed they knew the costs involved in getting their telephone service re-connected, most did not. Many assumed costs, including the monthly cost for local service, to be higher than they are. Those who considered telephone service a "necessity" were more likely to be aware of real costs.

Past due charges in conjunction with deposits and/or re-connection fees are prohibitive and act as a strong deterrent to obtaining telephone service. There was a pervasive belief among respondents, that a customer with outstanding telephone charges must "come up

with **all** the money at one time.” Numerous respondents commented that if they could afford to come up with “all the money at one time,” they probably would not have lost their telephone in the first place. The assumption is that local and long distance past due charges must be paid before they can have telephone service reinstated. None were aware of any alternatives for payment of past due *local charges only* to retain local service. For some respondents who do not have outstanding bills and would like to have telephone service, a poor credit rating is sometimes a barrier to obtaining telephone service.

In two of the Urban groups, respondents mentioned having heard about an alternative to Ameritech. They had heard that CoreCom offered local service at a lower rate—“even to people with credit problems.” One or two had inquired about the service and were told they would have to pass a credit check. Given a poor credit record, they did not pursue it.

There appears to be general ignorance of, or the assumption of higher than, actual costs to obtain and maintain telephone service—e.g., \$40 or \$50 per month. As noted earlier, respondents tend to factor in long distance charges as a component of “total” monthly maintenance costs. Asked to focus on *local* telephone service and the amount they felt they could afford monthly, some said they could afford no more than \$10; most felt they could afford approximately \$20 for local service. Some respondents felt using phone calling cards was a less expensive alternative to telephone service providers.

Asked what they thought they would have to do to obtain telephone service, the majority of respondents said they would start by calling the telephone company. Based on past experience with the telephone company, they were inclined to believe the process could be more time-consuming than difficult or complex.

ATTITUDES TOWARD THE TELEPHONE COMPANY

Some respondents felt that "the telephone company tries/tried to work with me" (in regard to retaining or re-connecting telephone service). However, the majority of respondents related negative perceptions and/or experiences with telephone company representatives. Most feel customer service is lacking—some customer service representatives are uninformed, not helpful, have poor or an unfriendly attitude. A common complaint about the telephone company was the long waiting time spent holding for customer service personnel. Some also complained about the automated access system. It was described as frustrating and/or confusing.

Feeding any negative perceptions of the telephone company was a commonly held belief that the telephone company is continually raising costs—"They nickel and dime you to death." It is believed that rates have increased dramatically in recent years and will continue to do so.

AWARENESS OF "SPECIAL" PLANS DESIGNED TO ASSIST IN OBTAINING TELEPHONE SERVICE

The majority of respondents were unaware of any "special" plans designed to assist people in obtaining telephone service. Some assumed a special plan existed for Seniors which would allow a limited number of calls per month at reduced rates.

Approximately 3 people, all Urban respondents, were aware of the USA Plan. Two had been on the plan in the past and lost telephone services for non-payment of bills. The two women who had been on the plan said it was a good plan. One woman said she lost the service because she was lax about paying the "small" monthly charge. She allowed it to build up to a point where it became unmanageable. The other women said she found herself having to pay for other things "first," including a \$60 a month premium cable television package.

Both assume they are not eligible for USA Plan until past due bills are paid in full. Neither felt they would be eligible anytime soon.

Others who "thought" they had heard of it from friends or relatives were unable to play back any specific features of the USA Plan.

REACTIONS TO USA PLANS

In the Urban groups, copies of the plans were passed out to consumers and read aloud by the moderator. This was done in an attempt to be sure that all respondents were reacting to all the features of the plan as opposed to engaging in selective reading. The two plans were individually exposed and discussed. In the Rural interviews, respondents were asked to read the plans on their own and react not only to the features of the plans but to the "language" or wording used in describing the plans.

The majority of all respondents described USA Plan #1, at approximately \$8 per month for local service, as extremely attractive and affordable. Most felt this "basic" service would meet their needs. As might be expected, those who perceived a telephone as a necessity and wanted very much to have a telephone in the event of emergencies or as a social conduit, were especially interested in USA Plan #1. Further, those who had had problems with long distance in the past felt that by restricting usage to local calls, they would have greater control over costs. Some said they would use a pre-paid card for cell service to take care of long distance calling needs. Some questioned whether or not the phone, itself, could be used to receive or actually make long distance calls.

Many were surprised that they had never heard of these plans. A number of respondents specifically asked to have a contact number for the plan. They planned to call and inquire about it. Most assumed it was an Ameritech product.

A few of the younger respondents felt they would opt for USA Plan #2, not necessarily for a second line, but in order to have special features such as Caller ID, Call Waiting, etc. Typically, those who preferred USA Plan #2 seemed least likely to be able to maintain its higher monthly cost!

Respondents were somewhat confused about the past due payment arrangements specified in the plan. The plan addresses payment plans for past due *local* telephone charges. Respondents asked about and/or assumed outstanding long distance charges would also have to be paid before obtaining telephone service.

In Urban groups, approximately 2-3 respondents per group would be able to qualify for the USA Plan; in Rural interviews, 3 of 7 would qualify. Those who qualified were disconcerted that they had never been informed about the plan through the telephone company or the various assistance programs in which they participate.

Non-eligible Younger Urban dwellers expressed the desire for an income-related qualifier. For example, they noted that it is possible to be working for minimum wage and still not be able to afford telephone service. These "working poor" felt that by tying the USA Plan or a similarly reduced rate plan to a low income level, it would greatly enhance the likelihood of non-telephone households being able to obtain basic telephone services. In fact, when a theoretical income-related qualifier option was offered, 7 of 9 respondents in both of the Younger Urban groups said they would be very interested in having this plan. They felt USA Plan #1 was affordable and would allow them the opportunity to reach and be reached in the event of emergencies and for social and employment-related interaction.

INTERPRETATION DIFFICULTIES WITH PLAN DESCRIPTIONS

Based on feedback from the groups, and especially from Rural interviews in which respondents were asked to read and interpret the

plans without the moderator's assistance, the following problem areas emerged. Clarifying the meaning of the plans is critical for the quantitative phase of the study, as mail-out questionnaires will be self-administered. The following modifications to the original plans are offered for consideration: (Copies of the plans are appended.)

- It is more meaningful to *state the actual cost of the plan first* rather than the amount of the discount off regular rates. (Plans #1 and #2)
- Be *consistent* with use of the term, "**charges**"—i.e., do not use "charges" and "rates" interchangeably. (Plans #1 and #2)
- Indicate the *actual number* of lines allowed. (Plans #1 and #2)
- Indicate that any more than one phone line would be charged at the *regular* rates. "Lifetime" benefits are meaningless. (Plan #2)
- Indicate "no installation charges" for *one* line only. (Plans #1 and #2)
- Clarify the statement defining the non-availability/availability of special features such as Call Waiting, and, in Plan #2, that features would be charged at *regular* rates. (Plans #1 and #2)
- Clarify the statement regarding what can be *blocked, free*, at the *customer's request*. Also, respondents generally referred to "third party calls" as "*three-way calls*." (Plans #1 and #2)
- Rather than just listing "*qualifications*," *indicate a person's need to be receiving assistance* from one of the following....

INFORMATION SOURCES

Respondents were asked what they thought were good ways in which to make non-telephone households aware of the USA Plans. The following were mentioned: television, radio, local newspapers, free community publications, flyers, inserts with other financial aid communications, billboards, on telephone bills (friends and relatives with telephone service will tell those without), and through other local utilities.

APPENDIX

NON-TELEPHONE HOUSEHOLDS FOCUS GROUPS DISCUSSION GUIDE

1. WARM-UP/INTRODUCTIONS

. Thank respondents for attending focus group. "As you were told when you were invited to be here tonight, our subject tonight is telephone services. Let me assure you that no one is attempting to sell anything. We're only interested in your experiences and your opinions. We have no interest in associating responses with individuals. We're more interested in what is said than whom is saying it."

. Explanation of focus group. "I'd like everyone to express his/her opinion. There are no right or wrong answers. There's no need to agree with one another." Encourage respondents to be candid.

. Describe moderator's role as independent researcher with no personal interest in the outcome of the study. Interested only in their honest opinions.

. Inform respondents about audio taping and observers.

. Introductions: Name, family composition, area of residence, rents vs. own, type of dwelling (single vs. attached), how long lived in current residence, (if working, occupation). How long lived in Cleveland area?

2. REASONS FOR NON-TELEPHONE STATUS

As part of the research being done, we'll be talking to people with and without telephones. I understand you are all currently without a telephone.

When was the last time you had telephone service where you live? What is the main reason you do not have telephone service now? Are there any other reasons? Please describe. (Probes: loss of income/job, excessive usage by self or other household members, lifestyle changes, giving up telephone service in favor of something else, what else?, pricing of telephone service, problems with provider, disconnected by telephone company?) Were there any attempts made by the telephone company to help you retain service? Describe.

(IF PREVIOUSLY HAD TELEPHONE SERVICE) How did you use the telephone when you had telephone service? Who in the household used it most often? Approximately how many calls did you make in an average week? Thinking about the types of calls made, were most local, toll or long distance calls?

When you had telephone services, what type of plan or package did you have? What features did you purchase? What made you decide to purchase those features? (Probe: Did customer initiate or did telephone company representative "sell" customer on services?)

Thinking back over the past five to ten years, have there been other periods of time when you did not have telephone service? Was the reason for those periods without a phone the same/different from what you've just told me about? Describe. How did you resolve the situation at that time(s)? Did the telephone company make any attempts to help you retain service? Describe. How did you go about getting your service back at those times? Was it any different then than now? Describe differences.

Without a telephone in your home, how do you go about contacting others—family, friends, business associates, making appointments, etc.? (Probes: pay phone, relative or neighbor's phone, beepers, other?) How do people reach you?

Do you feel any differently during those periods without telephone service in your home than when you have telephone service in your home? In what ways? (Probe: concerns about dealing with emergencies related to health or personal security, sense of social isolation, is being without telephone service perceived as a "worry" or merely an "inconvenience," is telephone service considered a necessity or a luxury, have they missed any employment/business opportunities due to lack of telephone service?)

How interested/likely are you to re-connect your telephone service? Why, why not? How would you go about getting your service back? (Probe: who/how contact, ordering process.) How would you go about getting information to assist you?

3. AWARENESS OF/REACTIONS TO PHONE RATE PROGRAMS

Thinking about your situation today, what would have to occur to make you consider having telephone service again? (Probe: change(s) in life circumstances, resolution of any outstanding debts/difficulties with telephone company, availability of more affordable telephone service, waiver of installation fees, other.)

If you wanted to have telephone service again, what do you think you would have to do? How would you go about it? Do you think it would be easy/difficult to obtain telephone service? (Probe: Telephone company's role in the process. Do they make it easy or complex? What can the telephone company do to assist non-telephone households in obtaining telephone service?)

What do you think it would cost you to get your service back (payment of outstanding bills, installation costs)? What do you think it would cost monthly to maintain your service? Do you feel you could afford to maintain it at that price? (Probe: awareness of package and payment options, awareness of *policy change in past year—i.e., as long as customer [Lifeline or basic rate customers] pays his basic local service each month, they will not be disconnected. However, a restriction will be placed on toll calling which means customer can only make local calls, no local toll or long distance, until past-due toll charges are paid in full.*)

Would it help or increase likelihood of getting telephone service if you could get a plan with toll restriction service, which would not allow long distance calls? It would cost _____ per month. Would this have been helpful in retaining telephone service?

Are there any special plans designed to help people get telephone service? Please describe. What would you have to do to take advantage of any special plans? (Probe: Income eligible plans versus program eligible plans. Problems related to complexity of "forms" to obtain special telephone service plans/awareness of eligibility requirements. Hesitancy to be part of any programs required to be eligible for plans such as USA plans.) Do you have any idea what such a plan(s) would cost as compared with regular telephone service charges? Would this be affordable.

(IF AWARE OF SPECIAL PHONE PLANS) How did you learn about these special plans? What kept you from applying for this plan? (Probe: Problems related to complexity of "forms" to obtain special telephone service plans/awareness of eligibility requirements. Hesitancy to be part of any programs required to be eligible for plans such as USA 1 or 2.)

Have you ever been part of such a plan? What was your experience like? What were the positives/negatives of the plan? Would you consider going on such a plan again? Why, why not?

3. EXPOSE PLANS AND OBTAIN REACTIONS

(SHOW BOTH PLANS WITHOUT ELIGIBILITY REQUIREMENTS FIRST AND FOLLOW WITH ELIGIBILITY REQUIREMENTS)

- *First impressions*
- Advantages/disadvantages
- Relevance, suitability to respondents' individual circumstances
- Perceptions of pricing
- What more need to know

Thinking about the plan(s) we've looked at, how likely would you be to consider enrolling in one of these? Why, why not?

Other than having come here today and learned about these plans, how could this information be made available to you? What are your sources, ways to learn about such things? What would be the best way to make you and others aware of such plans? (TV, radio, social services, fliers, postings in local supermarkets, community centers, post office, water or energy payment offices, presentations/newsletters at apartment complexes, other?)

Anything more you can tell me about what might make you consider re-starting/obtaining telephone service?

Thank respondents for their time and cooperation.

RULES FOR AN ELECTIVE ALTERNATIVE REGULATION PLAN FOR ILECS

4901:1-4-01 Elective alternative regulation plan general provisions

- (A) The alternative regulation plan set forth below is available to any incumbent local exchange carrier (ILEC) that desires to take advantage of the retail services flexibility for telecommunication services, other than basic local exchange service as defined in Section 4927.01, Revised Code, set forth in Rules 4901:1-6-01 through 4901:1-6-12 of the Administrative Code, but that is not interested in pursuing an individual company-designed application for alternative regulation pursuant to Case No. 92-1149-TP-COI.
- (B) Adoption of the elective alternative regulation plan by an ILEC enables the ILEC to operate under the proposed retail service requirements developed in Rules 4901:1-6-01 through 4901:1-6-12 of the Administrative Code.
- (C) This elective alternative regulation plan does not limit an ILEC's ability to propose a company-specific plan under the existing alternative regulation guidelines set forth in Case No. 92-1149-TP-COI, which could also qualify the company for the proposed retail service rules.
- (D) The retail service rules established in Chapter 4901:1-6 of the Administrative Code, while available to all telephone companies, are only an option for an ILEC if the ILEC adopts a qualifying alternative regulation plan.
- (E) The Commission may upon its own motion, or for good cause shown, waive any requirement, standard, or rule set forth in this chapter.

4901:1-4-02 Term of the plan

- (A) An ILEC can opt into this elective alternative regulation plan at anytime by making the appropriate filing with the Commission that includes all necessary tariff modifications. The ILEC's election shall be automatically approved on the 46th day, unless otherwise suspended by the Commission.
- (B) There is no predetermined termination date for the elected alternative regulation plan absent a revocation proceeding outlined in subdivision (D).
- (C) Once the ILEC has met the commitments set forth in Rule 4901:1-4-05 of the Administrative Code, the company may continue under its elected alternative regulation plan, terminate the alternative regulation plan and return to traditional rate-of-return regulation, or propose a company-specific alternative regulation plan.

- 2
- (D) If the Commission believes that the ILEC has failed to comply with the terms of the plan, the Commission shall give the ILEC notice, including a basis, of such belief and a reasonable period of time to come into compliance. The Commission shall not revoke any elective alternative regulation plan, unless the Commission determines, after further notice to the ILEC and hearing, that the ILEC in fact has failed to materially comply with the terms of the plan and in fact has failed to come into compliance within such reasonable period of time. Prior to any such ruling to revoke any order approving the plan, the Commission shall take into consideration consequences of such action on the ILEC as well as the impact on its customers.
 - (E) In order to terminate or withdraw from an elected alternative regulation plan, an ILEC must file a notice with the Commission which sets forth the reasons for the withdrawal and informs the Commission whether the ILEC is proposing to return to traditional regulation or will be filing a company-specific alternative regulation plan. A notice of withdrawal will not be approved until another regulatory framework is adopted by the Commission. The Commission shall order such procedures as it deems necessary in its consideration of the request to withdraw.
 - (F) An ILEC choosing to return to rate-of-return regulation is required to bring its rates and services into compliance with the appropriate regulatory framework for all regulated services. All existing rules, guidelines, and orders that are available for ILECs today, such as Case Nos. 84-944-TP-COI, 86-1144-TP-COI, 89-564-TP-COI, and 92-1149-TP-COI, will still remain. The rates in effect under elective alternative regulation shall remain in effect until otherwise modified by the ILEC with the Commission's approval. An ILEC returning to rate-of-return regulation bears the total risk of recovery of commitment investments during the period it was under alternative regulation.

4901:1-4-03 Applicability of other rules and regulations

To the extent they do not conflict with the provisions set forth herein and absent a waiver, all commission requirements and policies will apply to the operations of every ILEC adopting elective alternative regulation. Examples of such requirements and policies include, but are not limited to, the minimum telephone service standards (MTSS) codified at Chapter 4901:1-5 of the Administrative Code, lifeline services such as service connection assistance (SCA) (Case Nos. 89-45-TP-UNC and 91-564-TP-UNC), discounts for persons with communications disabilities (Case No. 87-206-TP-COI), blocking of 976 services (Case No. 86-1044-TP-COI), disconnection of local service rules (Case No. 96-1175-TP-ORD), 9-1-1 service (Case No. 86-911-TP-COI), privacy and number disclosure requirements (Case No. 93-540-TP-COI), alternative operator service provisions (Case No. 88-560-TP-COI), provisions involving customer-owned, coin-operated telephones (Case No. 88-452-TP-COI), and carrier access charge policies and orders.

4901:1-4-04 Accounting standards

Accounting records are required to be maintained in accordance with the uniform system of accounts (USOA) for local telephone operations by all incumbent local exchange carriers as defined in rule 4901:1-6-01.

4901:1-4-05 Alternative regulation commitments

(A) Advanced services

- (1) Advanced telecommunications services capability is the availability of high-speed, full broadband telecommunications that enables a customer to originate and receive high-quality data, graphics, and video using any technology (e.g., xDSL, cable, fiber optic, fixed wireless, satellite, or other system) at a minimum rate of 200 kilobits per second in either direction (upstream and downstream).
- (2) An ILEC electing this alternative regulation plan must commit to provide digital loops (or the equivalent) capable of delivering advanced telecommunications services to customers.
 - (a) High Density Central Offices: No later than 12 months from the election of the alternative regulation plan, an ILEC must provide advanced telecommunications service capability from all Class 5 central offices (COs) in its traditional service territories which serve census tracts with a population density of 500 or more people per square mile as defined by the 2000 census.
 - (i) No later than 12 months from the election of the alternative regulation plan, an ILEC must deploy broadband, advanced telecommunications services upon customer demand within 60 days to any customer within 12,000 feet from a high density CO.
 - (ii) No later than 24 months from the election of the alternative regulation plan, an ILEC must deploy broadband, advanced telecommunications services upon customer demand within 60 days to any customer within 18,000 feet from a high density CO.
 - (b) County Seat Central Offices: For counties that do not meet the population density criterion described in (a) above, an ILEC must provide advanced telecommunications service capability from all Class 5 COs in its traditional service territories that are within the county seat no later than 12 months from the election of the alternative regulation plan.

- (i) No later than 12 months from the election of the alternative regulation plan, an ILEC must deploy broadband, advanced telecommunications services upon customer demand within 60 days to any customer within 12,000 feet from a county seat CO.
- (ii) No later than 24 months from the election of the alternative regulation plan, an ILEC must deploy broadband, advanced telecommunications services upon customer demand within 60 days to any customer within 18,000 feet from a county seat CO.

(B) Lifeline assistance

- (1) The ILEC must implement a lifeline program that provides eligible residential customers with the maximum contribution of federally available assistance. Eligible lifeline service consists of flat-rate monthly access line service with touch-tone service.
 - (a) Credits: The ILEC shall credit one hundred percent (100%) of all nonrecurring service order charges for commencing service and a monthly amount that will ensure the maximum federal matching contribution.
 - (b) Other benefits: Lifeline customers shall receive a waiver of the local exchange service establishment deposit requirements, free blocking of toll and 900/976 dialing patterns, an option to purchase call waiting, and an option to purchase other features for medical and/or safety reasons. Requests to purchase vertical features must be signed by the customer certifying that the customer has a legitimate need, either for medical or safety reasons, for the optional feature(s) requested.
 - (c) Restrictions: The discount will apply to only one access line per household. Optional features, other than call waiting, are prohibited unless the phone company receives a signed statement from the customer self-certifying that the feature is necessary for medical and/or safety reasons. Existing lifeline customers that have optional features prior to the adoption of this plan will be grandfathered into the lifeline program. Telephone companies are prohibited from marketing vertical services to existing or new lifeline customers.
- (2) Lifeline assistance eligibility shall include:
 - (a) Home Energy Assistance Program (LIHEAP, HEAP, and E-HEAP)
 - (b) Ohio Energy Credit Program (OECF)
 - (c) Foodstamps

- (d) Supplemental Security Income – blind and disabled (SSDI)
 - (e) Supplemental Security Income – aged (SSI)
 - (f) General Assistance (including disability assistance (DA))
 - (g) Medical Assistance (medicaid), including any state program that might supplant medicaid
 - (h) Federal public housing/section 8
 - (i) Ohio Works First (formerly AFDC)
 - (j) Household income at or below 150 percent of the poverty level
- (3) Each ILEC participating in the elective alternative regulation plan shall offer a lifeline assistance program to eligible customers throughout the traditional service area of that carrier.
- (a) ILECs with 15,000 or more access lines shall automatically enroll customers onto lifeline assistance who participate in a qualifying program. Additionally, such companies must also enroll customers who participate in a qualifying program by using on-line company to agency verification or self-certification.
 - (b) ILECs with less than 15,000 access lines may use one or any combination of automatic enrollment, on-line company to agency verification and/or self-certification to enroll customers onto lifeline assistance who participate in a qualifying program.
 - (c) All ILECs must use self-certification to enroll customers onto lifeline assistance who qualify through household income-based requirements.
- (4) At no time will the monthly access line discounts cause the local service rates to be less than zero.
- (5) Lifeline assistance customers with past due bills for regulated local service charges will be offered special payment arrangements with the initial payment not to exceed \$25.00 before service is installed, with the balance for regulated local charges to be paid over six equal monthly payments. Lifeline assistance customers with past due bills for toll service charges will be required to have toll restricted-service until such past due toll service charges have been paid or until the customer establishes service with a subsequent toll provider pursuant to the minimum telephone service standards.
- (6) Staff will work with the appropriate state agencies, which administer qualifying programs for lifeline assistance, and the ILECs to negotiate and acquire on-line access to the agencies' electronic databases for the purpose of accessing the information necessary to verify a customer's participation in an eligible program, and data necessary to automatically enroll customers into the lifeline program. On-line verification and automatic

enrollment will be in place within six months after a company opts into an elective alternative regulation plan.

- (7) An ILEC is permitted to perform a verification audit of a customer applying for or a customer already on lifeline assistance service.
- (8) All lifeline program activities must be coordinated through an advisory board composed of the Ohio Consumers' Counsel, consumer groups representing low-income constituents, and the company. The commission's staff will serve in an advisory role. Companies with less than 15,000 access lines may join with other such companies to form one advisory board.
- (9) The ILEC will establish an annual marketing budget for promoting lifeline and performing outreach based on the number of company access lines as follows: 1) \$250,000 for companies with more than 500,000 access lines; 2) \$100,000 for companies with 100,000 to 500,000 access lines; and 3) the amount for companies with less than 100,000 access lines will be determined by the advisory board and the company. The advisory board will determine how the marketing budget funds should be spent to market and promote the lifeline program.

(C) Retail rate commitments

- (1) An ILEC's offering of in-territory, basic local exchange service shall include flat-rate residential calling.
- (2) Any measured-rate or optional extended area service plans that are being provided to customers at the time the ILEC opts into an elective alternative regulation plan shall continue to be available to customers unless the Commission subsequently approves changes to these plans.

(3) Tier 1 rate caps

(a) Core Service rate caps

An electing ILEC shall cap the rates for tier 1 core service (stand-alone basic local exchange service plus basic caller identification only) in its territory at the existing rates for so long as the company remains under the elective alternative regulation plan. The electing ILEC's existing rates shall represent the maximum or "ceiling" levels, below which the ILEC may lower or raise rates upon making the appropriate filing with the Commission. In doing so, the electing ILEC may not price below the long run service incremental cost of each service plus a common cost allocation. The ILEC may provide a common cost study to the Commission's staff to justify the common cost allocation or the ILEC may use a default allocation of ten percent for common costs.

(b) Non-core service rate caps

An electing ILEC shall cap the rates for all non-core, tier 1 services as defined in Chapter 4901:1-6, Ohio Administrative Code, in their territory at existing rates for 24 months from the date the alternative regulation plan takes effect. During those 24 months, the electing ILEC may lower or raise rates below the cap, upon making the appropriate filing with the Commission. The electing ILEC may not price below the long run service incremental cost of each service plus a common cost allocation. The ILEC may provide a common cost study to the Commission's staff to justify the common cost allocation or the ILEC may use a default allocation of ten percent for common costs.

- (i) After 24 months, upward pricing flexibility for a second local exchange access service line and call waiting shall be limited to no more than a ten percent increase in price per year for each service, up to a maximum cap for the life of the plan that is double the initial rate for each service.
- (ii) After 24 months, upward pricing flexibility for all other tier 1, non-core services shall be limited to a cap that is double the initial rate.

(4) Tier 2

Tier 2 services include all regulated, public telecommunications services that do not fall on tier 1. Tier 2 service rates are not subject to any rate cap and may be priced at market-based rates. The rate for any tier 2 service must recover the long run service incremental costs associated with the service plus a common cost allocation. The ILEC may provide a common cost study to the Commission's staff to justify the common cost allocation or the ILEC may use a default allocation of ten percent for common costs.

- (5) Nothing herein prohibits an electing ILEC from seeking, through an appropriate filing with the Commission, the flexibility to discount tier 1 service rates, on an exchange basis, provided the company demonstrates that the discount is necessary to meet competition and provided the discount is uniformly available to all tier 1 service customers within the designated exchange(s).
- (6) Notice to customers of any changes in rates must comply with the notice requirements established in Chapter 4901:1-6 of the Administrative Code.